

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7504

BILL NUMBER: SB 423

NOTE PREPARED: Feb 13, 2009

BILL AMENDED: Feb 12, 2009

SUBJECT: Substitute Natural Gas Contracts.

FIRST AUTHOR: Sen. Hershman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: ___ GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill permits the Indiana Finance Authority to enter into contracts for the purchase and sale of substitute natural gas (SNG) from coal gasification facilities to regulated energy utilities for delivery to retail end use customers. It also requires the authority to establish the Substitute Natural Gas Account to provide funding for SNG-related business.

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures: (Revised) *Indiana Finance Authority (IFA)*: This bill could increase administrative expenditures for the IFA. The bill provides that the IFA may enter into contracts for the purchase and sale of SNG from coal gasification facilities to regulated energy utilities for delivery to retail end-use customers. The bill applies to coal gasification facilities that use a manufacturing process to convert coal into SNG and not later than June 30, 2009, have applied for a federal loan guarantee through the U.S. Department of Energy's Loan Guarantee Program Office for the financing of the facility.

The bill also requires the IFA to administer the SNG Account (established in this bill). It is estimated that any increase in expenditures to the IFA could be met within the existing level of resources.

Office of Utility Consumer Counselor (OUCC): The bill provides that the IFA shall consult with the OUCC before negotiating the terms of, entering into, or accepting assignment of a contract. Any increase in administrative expenditures due to this provision should be covered under the existing resources.

Indiana Utility Regulatory Commission (IURC): This bill could increase administrative expenditures for the IURC. The bill requires the IURC to allocate on an annual basis SNG purchased by the IFA to retail end-use

customers of a regulated energy utility based on the proportion of the amount of gas delivered by the regulated energy utility to the total amount of gas delivered by all regulated energy utilities in the immediately preceding calendar year. The IURC's current level of resources should be sufficient to implement this provision.

(Revised) *Background Information* - This bill permits the IFA to enter into contracts for the purchase and sale of SNG from coal gasification facilities to regulated energy utilities for delivery to retail end-use customers. The bill provides that the contract entered into by the IFA must have a 30-year term and must provide a guarantee of savings for retail end-use customers. The bill also provides that the IFA must sell SNG at a price that is sufficient to permit recovery of costs by the IFA. The IFA is to establish and collect rates and charges for SNG purchase and delivery.

This bill establishes the SNG Account to provide funding to the IFA for SNG-related business. The bill provides that the obligation of the IFA to pay for SNG, or for any services under a contract, is limited to the funds available in the SNG Account plus any other amount recoverable by the IFA through a provision included in the contract. The SNG Account consists of payment for costs associated with the purchase and delivery of SNG made by retail end-use customers to the IFA through regulated energy utilities.

As used in this bill, "regulated energy utility" means an energy utility that is subject to IC 8-1-2-42.

As used in this bill, "retail end-use customer" means a customer who acquires energy at retail for the customer's own consumption from a gas utility that must apply to the commission under IC 8-1-2-42 for approval of gas cost changes.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IFA; OUCC; IURC.

Local Agencies Affected:

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